

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

FEA-01 INT-05 IGA-01 L-02 ABF-01 PA-01 PRS-01 USIA-06

AF-06 ARA-06 EA-06 EUR-12 IO-10 /125 W
----- 025924

R 311205Z DEC 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6017

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

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E.O. 11652: N/A

TAGS: EFIN, IMF, IBRD, CE

SUBJ: SRI LANKA: IMF/IBRD DEVELOPMENT COMMITTEE

REFS: (A) STATE 225316; (B) NEW DELHI 14315; (C) DACCA 5157;
(D) STATE 268582

SUMMARY. IN DEC. 18 CONVERSTATION WITH USG OFFICERS, GSL
PLANNING MINISTRY ADDITIONAL SECRETARY, DR. LAL JAYAWARDENE,
COMMENTED FAVORABLY ON ESTABLISHMENT OF DEVELOPMENT COMMITTEE.
JAYAWARDENE IS KEENLY INTERESTED IN BUSINESS OF THIS COMMITTEE
SINCE HE IS CHAIRMAN OF THE DEPUTIES OF THE G-24. JAYAWARDENE
HOPED DEVELOPMENT COMMITTEE WILL PROVIDE NON-POLEMIC FORUM
FOR IDENTIFICATION AND SPELLING OUT OF MSA COUNTRIES'S FINANCIAL
NEEDS. ALSO HOPED FIRST MEETING IN JANUARY WOULD RESULT IN SOME
AID PLEDGING. HE SAID HE FORESAW PROBLEMS IN ACTUAL ALLOCATIONS
BECAUSE HE BELIEVES C-20 DEVELOPING MEMBERS WILL INSIST ON UN
CHANNEL. END SUMMARY.

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1. ON DECEMBER 18 TREASURY ATTACHE GAASERUD FROM NEW DELHI AND

EMBASSY ECONOMIC OFFICER FROM COLOMBO HAD LENGTHY DISCUSSION WITH DR. LAL JAYAWARDENE, ADDITIONAL SECRETARY, GSL PLANNING MINISTRY, CONCERNING DEVELOPMENT COMMITTEE AND GENERAL PROBLEMS OF JINANCING B/P DEFICITS OF MSAS DURING 1975. GSL FINANCE MINISTER, N.M. PERERA IS CURRENT CHAIRMAN OF GROUP OF 24, WHILE JAYAWARDENE WILL BE CHAIRING G-24 DEPUTIES MEETINGS. JAYAWARDENE MAINTAINED THAT WHILE THE DEVELOPMENT COMMITTEE WAS ORIGINALLY AN INDUSTRIAL COUNTRY INITIATIVE, LDC'S HAD TAKEN IT UP BECAUSE SOME OF THEM SEE AN URGENT NEED FOR A LESS POLITICIZED FORUM IN WHICH BUSINESS COULD BE ACCOMPLISHED. HE POINTED OUT THAT UN, UNCTAD, AND OTHER GROUPS ARE HIGHLY VULNERABLE TO HISTORICS AND SPEECHIFYING ON ALL SIDED OF THE OIL PRICE AND BALANCE-OF-PAYMENTS DEFICIT QUESTIONS. WITH RESPECT TO THE MEETING OF THE DEVELOPMENT COMMITTEE IN JANUARY, JAYAWARDENE LOOKS FORWARD TO CONSIDERED DISCUSSION OF MSA COUNTRIES OVER-ALL BALANCE-OF-PAYMENTS NEEDS. WHILE HE HAD HAD LITTLE TIME TO REVIEW REF (D), HE INDICATED SOME SYMPATHY FOR A GENERALIZED APPROACH TO MSA FINANCING AND TO A MODERATION OF THE PRESENT OVEREMPHASIS ON OIL PRICE INCREASES AS THE SOLE REASON FOR THE PRESENT BALANCE OF PAYMENTS PROBLEMS OF THE MSAS. JAYAWARDENE BELIEVES DEVELOPMENT COMMITTEE MEETING COULD (AND HE IMPLIED SHOULD) DEVELOP INTO PLEDGING SESSION OF ASSISTANCE TO MSAS AND OTHER LDCS.

2. JAYAWARDENE THOUGHT THAT OPEC MEMBERS ON DEVELOPMENT COMMITTEE WOULD TAKE STRONG POSITION IN FAVOR OF DISTRIBUTION THROUGH UN MECHANISM. JAYAWARDENE AGREED THAT DEVELOPMENT COMMITTEE MUST HAVE SOME MECHANISM FOR ESTABLISHING CRITERIA FOR ASSISTANCE TO MSAS. HE IMPLIED THAT IMF STAND-BY AND OTHER ECONOMIC PERFORMANCE DEVICES HAD NOT REALLY WORKED, BUT ADMITTED THAT SOME CONNECTION BETWEEN PERFORMANCE AND ASSISTANCE WAS NECESSARY.

3. JAYAWARDENE SAID HE WORKS CLOSELY WITH INDIAN AND BANGLADESH OFFICIALS OF HIS CONSTITUENCY, PARTICULARLY DR. MANMOHAN SINGH OF INDIA. HE SAID THAT THE MAGNITUDE OF FINANCING PROBLEMS OF INDIA AND BANGLADESH WAS SO GREAT THAT IT WAS QUALITATIVELY DIFFERENT FROM SRI LANKA'S FINANCIAL CIRCUMSTANCES.

COMMENT: JAYAWARDENE IS A LEADING YOUNG THINKER ON LDCS CURRENT FINANCIAL PROBLEMS. GENERAL IMPRESSION WAS OF CONSTRUCTIVE DISLIMITED OFFICIAL USE

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CIPLINED, AND ANALYTICAL APPROACH TO MSA/LDC PROBLEMS SEEN IN THE PERSPECTIVE OF OVER-ALL WORLD MONETARY AND ECONOMIC PROBLEMS. END COMMENT.
MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, FINANCIAL COOPERATIVES, ORGANIZATION & MANAGEMENT, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE17331
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750001-0578
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974122/aaaaabem.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 225316, 75 NEW DELHI 14315, 75 DACCA 5157
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by shawdg>; APPROVED <26 DEC 2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA: IMF/IBRD DEVELOPMENT COMMITTEE
TAGS: EFIN, CE, IMF, IBRD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005